

STATEMENT OF PURPOSE

RS20865C1

The purpose of this amendment to existing law is to create new, good paying jobs at the 26 FAA-approved Idaho businesses specializing in repair and maintenance of fixed and rotary wing aircraft by eliminating the disadvantage Idaho businesses have competing with similar businesses located in states that do not impose taxes on parts installed on privately owned aircraft.

This change in Idaho law will make the taxation of parts installed on private aircraft owned by non-residents consistent with the taxation of parts installed as components of aircraft manufactured in Idaho and sold to non-residents, as well as parts installed on aircraft in commercial use. This Act does not change the taxation of parts purchased by or installed on aircraft owned by Idaho residents.

FISCAL NOTE

It is estimated annual sales tax receipts will be reduced by \$164,082 by passage of this Act. Western Aircraft is the primary provider of services to non-resident customers and they make up the vast majority of these annual tax receipts. With passage of this Act, Western Aircraft, will add 12 full-time employees at an average annual salary of \$54,538. According to the Department of Labor formula, each \$54,538 job generates an additional \$32,177 of local earnings, so the twelve added jobs will drive \$1,040,585 of additional annual payroll. It is generally accepted that each dollar of payroll generates 20% in taxable sales and 33% in taxable payroll, so this legislation would drive a first year benefit of \$35,000. Additionally, assuming this legislation drives the expected growth, Western intends to construct a \$1M back-shop facility, generating an additional \$36,000 in sales tax revenues on construction materials, for a total first year benefit of \$71,000. Additionally, with passage of this Act, Western expects to add up to 100 employees over the next five years, generating an additional payroll of \$5,453,800 and according to the Department of Labor formula, an additional Idaho annual earnings of \$3,217,742. Total annual earnings in Idaho are expected to grow by \$8,671,542 by the fifth year, based on Western's projected growth alone, generating \$284,000 of additional Idaho sales and payroll tax revenues annually. The other 25 FAA-approved repair stations are expected to generate additional benefits as they market themselves to non-resident customers.

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